United Nations E/2010/52

Economic and Social Council

Distr.: General
28 April 2010

Original: English

Substantive session of 2010
New York, 28 June-23 July 2010
Item 3 of the provisional agenda*
Operational activities of the United Nations for international development cooperation

Actions taken by the executive boards and governing bodies of the United Nations funds, programmes and specialized agencies in the area of simplification and harmonization of the United Nations development system

Report of the Secretary-General

Summary

The present report takes stock of recent progress achieved in simplification and harmonization of business practices in the United Nations development system, with a focus on actions taken by the executive boards and governing bodies.

Following the endorsement of the Plan of Action of the United Nations System Chief Executives Board for Coordination High-level Committee on Management for the Harmonization of Business Practices, significant efforts have been invested in fine-tuning the initiatives, taking into consideration the changing financial context as well as work already undertaken.

Significant agreements have emerged over the past year within the United Nations Development Group in areas with direct impact on country-level operations, notably on clarifying and harmonizing guidelines on joint funding, common procurement and common information and communications technology services.

Interface between United Nations system organizations and intergovernmental bodies has improved, resulting in growing political and financial support for a number of system-wide initiatives, for example, the International Public Sector Accounting Standards. In view of the challenges ahead, there is however a need for more comprehensive, multifaceted and forward-looking guidance from the executive boards and governing bodies.

* E/2010/100.

10-33338 (E) 240510

Please recycle

The Economic and Social Council may wish to take note of the report and encourage United Nations system organizations to continue to work towards simplification and harmonization, under the guidance of their executive boards and governing bodies.

Contents

I. Introduction

II. Implementation of the Plan of Action for the Harmonization of Business Practices in the United Nations system

A. Governance and financing of the Plan of Action

B. Project implementation

III. Simplification and harmonization to facilitate coherent and efficient country-level operations

A. Joint funding and finance

B. Country office business operations

IV. Actions taken by the executive boards and governing bodies

A. United Nations Educational, Scientific and Cultural Organization

B. Food and Agriculture Organization of the United Nations

C. World Health Organization

D. United Nations Industrial Development Organization

E. International Labour Organization

F. International Fund for Agricultural Development

G. Office of the United Nations High Commissioner for Refugees

V. Conclusion

VI. Recommendations

I. Introduction

1. With the acceleration of reform efforts towards more coherent and effective delivery of programmatic results in the United Nations development system, the lack of coherence in rules, procedures and business practices has been repeatedly emphasized as a major bottleneck. The gradual adjustments of managerial and administrative practices by individual United Nations system organizations over the past few decades have resulted in significant efficiency gains, and have progressed concurrently at the headquarters and country levels, highlighting the need for a system-wide rather than an ad hoc approach towards harmonized and coordinated operational modalities, and taking into consideration the realities on the ground as well as the diverse mandates and business models of United Nations system organizations.

2. Recent intergovernmental processes reaffirmed the importance of simplification and harmonization of business practices. Following the 2007 triennial comprehensive policy review of the General Assembly, the Assembly continued to address this important issue in the context of informal consultations on system-wide coherence. The Assembly, in paragraph 21 of its resolution 63/311 on system-wide coherence, called upon the Secretary-General to continue progress in that area, while also requesting the Secretary-General to regularly inform the Economic and Social Council about progress made and challenges encountered. The consultative process within the sixty-fourth session of the General Assembly is expected to elicit new guidance, in view of the most recent developments in the harmonization of business practices.

3. The follow-up by the Economic and Social Council on the implementation of the resolution on the 2007 triennial comprehensive policy review opens another avenue for a holistic review of progress and challenges in this regard. The General Assembly, in paragraph 112 of its resolution 62/208, requested the executive boards and governing bodies of the United Nations funds, programmes and specialized agencies to assess the progress achieved, including costs and benefits, in the area of simplification and harmonization of the United Nations development system at the global, regional and country levels; analyse the potential impacts on development programming; and report to the Economic and Social Council at its substantive session on an annual basis. The Council, in its resolution 2008/2, requested the Secretary-General to submit a report on actions taken by executive boards and governing bodies on simplification and harmonization of business practices. In response, a first report was submitted to the Council in 2009 (E/2009/61). Having considered the report, the Council urged the United Nations development system to step up efforts in a number of areas, notably the implementation of the Plan of Action for the Harmonization of Business Practices in the United Nations System adopted by the United Nations System Chief Executives Board for Coordination (CEB) in 2007, cost-recovery policies and the roll-out of the harmonized approach to cash transfers (see resolution 2009/1).

4. The present report is intended to provide a snapshot of progress made by the United Nations development system as well as individual United Nations system organizations in the past year, with a particular focus on actions taken and guidance provided by the executive boards and governing bodies. With respect to agency-specific activities, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF)

and the World Food Programme (WFP) provide detailed information on this issue through their annual reports to the Economic and Social Council (see E/2010/5, E/ICEF/2010/3-E/2010/6 and WFP/EB.1/2010/4/Rev.1). To avoid duplication, the present report does not cover actions taken by those organizations.

II. Implementation of the Plan of Action for the Harmonization of Business Practices in the United Nations System

5. The endorsement of the Plan of Action by CEB in the fall of 2007 and the launch in October 2008 of a fund-raising campaign marked a significant shift from an ad hoc to a systematic pursuit of coherent working modalities in the United Nations system. The Plan of Action reflects the broad-based consensus on the key bottlenecks, encompassing areas with great potential for adopting harmonized management practices of the highest global standards. Although still at an early stage, the cooperative spirit and proven commitment generated among different agencies to take on harmonization projects jointly is an important asset for the way forward.

A. Governance and financing of the Plan of Action

6. The recent intergovernmental deliberations on business practices have repeatedly stressed the importance of transparency and accountability in implementing the Plan of Action. In response, a light and flexible governance structure has been established, featuring clear-cut lines of accountability, strong monitoring and evaluation as well as transparent reporting.

7. The overall implementation of the Plan of Action is overseen by a Business Practices Steering Committee[1] of the CEB High-level Committee on Management. The Steering Committee is responsible for the prioritization of allocations of funds for various projects, weighing the availability of funds with the urgency of the projects and the relevance and impact at the country level. For implementation, working groups of interested organizations are formed around a lead agency, which bears ultimate responsibility for delivery of results and retains financial authority over, and accountability for, the resources allocated to the project.

8. The Plan was expected to be largely financed through extrabudgetary funding. Towards that end, a dedicated trust fund has been established. Following an initial contribution in 2008, additional contributions were received in late 2009 and early 2010, taking the Plan from the planning to the implementation stage.

9. To ensure further progress in reducing bottlenecks to the harmonization of business practices at the country level, as requested in the triennial comprehensive policy review, in 2010 a high-level mission was launched by the Chairs of the United Nations Development Group and the High-level Committee on Management to selected countries to identify further priority bottlenecks in business practices with a view to finding fast-track solutions for them. The mission will report to the

[1] Committee chaired by the High-level Committee on Management Vice-Chair and composed of the Chairs of the High-level Committee on Management Networks, in addition to UNDP, UNICEF, the Director of the CEB secretariat and the Secretary of the High-level Committee on Management.

Chairs of the United Nations Development Group and the High-level Committee on Management, and a briefing on the findings will be provided to Member States.

B. Project implementation

10. In view of the feedback from Member States as well as intergovernmental guidance, the projects as outlined in the Plan of Action and its funding proposal were reprioritized in 2009. The reprioritization has taken into consideration the changed financial context, with a focus on the initiatives that were already an integral part of the programme of work of the High-level Committee on Management and on areas with considerable work already under way, so that when extrabudgetary funding would become available, the preliminary phases of such projects would already be at an advanced stage.

11. At the High-level Committee on Management meeting in February 2010 and subsequent to the receipt of the bulk of extrabudgetary contributions towards the Plan of Action, six priority initiatives[1] were endorsed, resulting in $3.2 million being allocated to these projects. Lead agencies for the projects include the United Nations Secretariat, UNICEF, UNDP, the World Health Organization (WHO), the International Fund for Agricultural Development (IFAD) and the United Nations Office on Drugs and Crime. Most projects will be executed over the next two years, with meaningful milestones achieved by end of 2010.

1. Financial management

International Public Sector Accounting Standards

12. United Nations system organizations continue to move towards full compliance with the International Public Sector Accounting Standards (IPSAS), albeit at different paces. In November 2005, the High-level Committee on Management recommended system-wide adoption of IPSAS effective 2010. As at 30 June 2009, 10 organizations reported that their target date remains 2010, with two of them indicating a plan to review that date before the end of 2009. Three organizations now plan to implement IPSAS by 2011, while seven organizations plan to implement by 2012 and two others by 2014. Some organizations targeting 2010 and 2011 have not yet completed key implementation steps that should have been completed by January 2008 and January 2009, indicating a possibility of delayed adoption.

13. Last year has also seen varying performances of the early adopters (WFP, WHO and the International Civil Aviation Organization (ICAO)). The successful IPSAS implementation by WFP, effective 2008, continues to provide benefits in terms of "lessons learned" to other organizations. ICAO and WHO originally aimed to adopt IPSAS effective 2008, then revised their adoption dates to 2010 and 2012,

[1] A comparative analysis and review of human resources management policies, practices and procedures of the organizations of the United Nations system, with particular attention to employment arrangements of staff in non-headquarters locations; a United Nations system-wide financial statistics database and reporting system; a feasibility study for putting in place common treasury services; common standards and costing approaches for ICT services and investments; procurement harmonization in support of field operations; comparative analysis of organizations' procurement practices and processes; Vendor Eligibility Project: development of a common framework on vendor sanctions for the United Nations system.

respectively. The experience of the early adopters highlighted common issues that can cause delays in implementation, including the scale and complexity of the work involved, issues arising from the roll-out of information system changes, the lack of dedicated staff and the lack of sufficient financial resources.

14. The support of the CEB High-level Committee on Management has played an important role in availing to United Nations system organizations the capacity for IPSAS implementation. To date, all 18 IPSAS training courses have been completed and issued for organizations' use. Different accounting treatment options are now under consideration. It is understood that a high level of harmonization in terms of agreed system-wide accounting policies has already been achieved.

Common treasury services

15. The common treasury services project[3] represents an opportunity to realize considerable savings across the United Nations system through a combination of better investment returns, lower payment-processing costs, and improved contractual conditions with other investment and treasury services providers. The project aims to improve the level of consistency and harmonization across the United Nations system in relation to the practices and procedures governing treasury services, leading to pooled delivery of some treasury management services.

16. The preparatory phase towards common treasury services is almost complete, with a survey on current treasury practices applied by international organizations conducted in early 2009 and the web-based knowledge-sharing platform, the Treasury Community of Practice website, made operational at the end of 2009. The survey revealed that, in spite of the opportunities in some areas, there will be important legal, governance and managerial barriers to overcome. Consequently, the focus should be initially on offering attractive and practical solutions that can be put in place in a relatively short time frame.

17. The approval of funding, on 11 February 2010, for the feasibility study for putting in place common United Nations treasury services as a priority of the Plan of Action marked the move towards the execution phase of the common treasury services project. The study will propose options as to the models for harmonization and collaboration in areas of treasury services and will allow the identification of divergences between individual organizations' legal, operational and financial provisions, together with the consideration of ways to address such divergences.

United Nations system-wide financial statistics database and reporting system

18. The development of a central repository of information on operational activities for development is one of the priority projects selected from the plan of action, and also responds to a request from the General Assembly in paragraph 16 of its resolution 63/311. The benefits of the initiative are the availability of, and one-place access to, comprehensive, reliable, manageable financial information on the entire United Nations system. The CEB secretariat and the Department of Economic and Social Affairs of the Secretariat have started collaboration towards a common

[3] Treasury management refers to the banking, investment and foreign currency operations that all United Nations system organizations require in order to make payments in multiple currencies, across multiple, global locations in a safe and secure manner, and to ensure sound investment of temporary cash surpluses.

data-collection exercise covering all reporting requirements. The implementation phase of the repository will be completed within a two-year period.

2. Procurement

19. The first initiative that has been launched from the High-level Committee on Management Plan of Action is a project intended to produce procedures and guidelines with regard to vendor eligibility and due process dealing with vendors suspected, accused of, and/or proven guilty of misconduct in line with the United Nations Supplier Code of Conduct.

20. Since its launch in 2009, the project has progressed in full speed. It was agreed that the common policy framework currently under development would serve as a foundation from which a fully developed system will evolve, fulfilling the general principles of procurement applied by several United Nations system agencies. The most important aspect of the framework is that each organization uses its own process in a manner that produces consistent results. The initial draft framework is expected to be ready in June 2010, for subsequent adoption by the High-level Committee on Management and CEB.

21. The joint High-level Committee on Management United Nations Development Group initiative included in the Plan of Action[4] will further analyse the use of the national procurement system, and the procurement issues, strategies, needs and outcomes in two of the eight "Delivering as one" pilot countries.

3. Information and communications technology

22. The information and communications technology (ICT) initiatives of the Plan of Action reflect the recognition of modern technology as a driving force for managerial and administrative reforms. Prior to the launch of the Plan of Action, a number of ICT initiatives were already put in place, including the agreement to pursue a study on the value and feasibility of common data communications services utilizing a shared-costing approach with interested agencies.

23. Launched in May 2009 and finalized in January 2010, the study revealed the existence of both redundancies and gaps in data communications capacity across agencies which, if effectively addressed, could result in increased efficiencies of operation and, potentially, operational cost savings. The study recommended several specific activities agencies should collectively pursue, including increased sharing of connectivity within countries, optimization of existing data communications links and establishing a gateway that can securely interconnect all agencies.

24. Four options to implement those initiatives were identified, including maintaining the status quo (i.e., each agency operating independently); fostering increased sharing among agencies; outsourcing network operations to an external vendor; and establishing a United Nations body to become an "in-sourced" network operator. While all the latter three options result in long-term cost savings of 10 to 20 per cent of operating expenses per agency, the sharing approach carries fewer risks, with a moderate level of effort and investment. However, it may require

[4] Namely, "Procurement process and practice harmonization in support of field operations: comparative analysis of organizations' procurement practices and processes".

agencies to cede some control to fully realize the benefits, a decision that can only come from a unified system-wide policy.

25. In moving forward, it was agreed that all work on achieving coherence in data communications should operate in harmony with the activities taking place within the context of the overall harmonization of ICT at the country level.

III. Simplification and harmonization to facilitate coherent and efficient country-level operations

26. The success of harmonization at headquarters will be ultimately judged by its ability to generate gains in operational efficiency and effectiveness on the ground. A wide range of operational processes, tasks and infrastructure development and maintenance have a direct impact on programmatic activities at the country level. The United Nations Development Group has taken the lead in optimizing such operational processes in collaboration with the CEB High-level Committee on Management, with a focus on the key bottlenecks as identified by United Nations country teams.

A. Joint funding and finance

1. Common budgetary framework

27. In response to the resolution on the triennial comprehensive policy review, the United Nations Development Group analysed the experiences and lessons learned from the use of common budgetary frameworks and translated the good practices into practical guidance for wider application across the countries. The guidance suggests that the common budgetary framework should be developed if a country voluntarily decides to develop a common United Nations Development Assistance Framework Action Plan. In all other cases, it is voluntary for countries to adopt. The common budgetary framework is to help it ensure that within the United Nations Development Assistance Framework Action Plan document, there is a comprehensive and results-based projection of financial resources and identified funding gap for the entire programme period. It is designed as a planning and management tool at the disposal of the United Nations country team.

2. Multi-donor trust funds

28. Given the fact that multi-donor trust funds have become an important funding mechanism within the United Nations system to channel and leverage resources in an effective and coordinated way, United Nations country teams have repeatedly stressed the need for practical guidance to ensure greater coherence and consistency in establishing and managing the trust funds. In response, the United Nations Development Group endorsed the United Nations Development Group Guidance Note on Establishing Multi-Donor Trust Funds, in February 2010, on an interim basis. The Guidance Note reflects on the experience of establishing and managing multi-donor trust funds. It is intended to provide practical tools and instruments for United Nations country teams to be better able to plan, develop and implement such trust funds at the country level. The revised Guidance Note will be issued later in 2010.

3. Cost-recovery policy

29. Agencies participating in the United Nations Development Group-High-level Committee on Management joint consultations held in April 2008 agreed that UNDP, UNFPA, UNICEF, WFP and the specialized agencies, would apply a 7 per cent rate as a harmonized indirect programme support cost rate for multi-donor trust funds and multiagency joint programmes and activities at the country level. In the light of the principle of full cost recovery, all other costs incurred by each participating United Nations system organization in carrying out the activities for which it is responsible will be recovered as direct costs. Furthermore, the specialized agencies may continue to apply standard indirect programme support cost rates up to 13 per cent for single-agency initiatives, designed and managed directly or bilaterally. Building on that consensus, the inter-agency dialogue on harmonized cost-recovery policies was taken forward in 2009 in the context of the United Nations Development Group-High-level Committee on Management Working Group on Cost-Recovery Policy.

30. A study commissioned by the Working Group stimulated further thinking about the principles with respect to the harmonization of cost-recovery policies. In view of the wide differences in business models, funding structures, sizes of projects, and governance, it was agreed that harmonization efforts should draw up common principles rather than address micro-level issues, in order to ensure full cost recovery in line with the recommendations of the triennial comprehensive policy review.

31. The Working Group further decided that in the short term, each agency would remain accountable for the interpretation of United Nations principles and modalities of cost recovery to their respective governing bodies. In the long term, organizations should identify and recover more comprehensively direct costs as well as variable costs in accordance with the organizations' business models. A special task force has been instituted to work on a common solution for the specialized agencies.

32. UNDP, UNICEF and UNFPA are reviewing and validating current cost-recovery policies and approaches and their overall adequacy and efficacy in contributing to the funding of those agencies' operations. In 2010, implementing solutions for the recovery of indirect costs in line with the triennial comprehensive policy review will be explored in particular with the objective of ensuring that core funding does not subsidize activities funded from non-core resources.

4. Redeployment of cost savings

33. The 2004 and 2007 triennial comprehensive policy review called on the United Nations system to ensure that savings accruing from reduced transaction costs are redeployed into development programmes in programme countries. In response, the United Nations Development Group has developed a policy note on ways and challenges associated with the identification, measurement and deployment of "net savings" in operational activities into the programmes of the same countries, and ways to address them.

34. Given the complexity of developing a system of tracking of costs, the cost-benefit of setting up such a system and the different ways in which agencies budget for operational activities at the country level, it was agreed that, on an experimental

basis, where appropriate, agencies should set in place processes for the identification and measurement of "net savings" from operational activities, as well as seek ways to deploy them into the programmes in the same country. A review of what has been considered feasible and implemented by agencies will be undertaken at the end of 2010.

35. In spite of the agreement, a number of obstacles remain to be addressed in piloting the approach. For example, some agencies may need governing bodies' approval of changes that may be required to their rules and procedures. In some cases, the cost of measuring operational savings could be higher than the savings accrued. Furthermore, not all agencies have fully integrated budgets, with the administrative and programme budgets in different cycles and guided by different sets of rules. Unless a greater level of integration is reached, it will be difficult to ensure the deployment of savings from operational activities into programmes.

5. Harmonization of financial regulations and rules

36. After several interactions coordinated by the United Nations Development Group in 2009, the Comptrollers of the five participating organizations (United Nations Secretariat, UNDP, UNFPA, UNICEF and WFP) have developed a draft set of harmonized financial regulations and rules, maintaining agency specific requirements driven by their respective mandates, where necessary. It is expected that the formulation of the harmonized financial regulations and rules will be finalized by mid-2010, with subsequent submission to advisory committees and governing bodies. Final approval is expected during 2011 for implementation effective 1 January 2012 for IPSAS adoption. However, the harmonization of financial regulations and rules is only one step and further work would be needed on the harmonization of financial policies and procedures.

37. Recognizing that United Nations country teams often experience considerable bottlenecks owing to the lack of harmonization in financial policies and procedures, a review of the differences among the five organizations in that area will be conducted. Existing gaps will be identified in 2010 for further alignment and application at the country level.

38. To facilitate the involvement of the United Nations development system in a pooled or basket funding mechanism based on a common United Nations position, an inter-agency agreement was reached that the current policies of several United Nations system organizations, including UNDP and UNFPA, will be tested and further reviewed for system-wide application.

6. Harmonization of financial reporting and budget code system

39. The harmonization of expense categories was initiated in 2006 with the aim of simplifying and aligning the reporting requirements of different United Nations system organizations and has been in use since then. Since substantive revision of expense categories is expected after the IPSAS roll-out, it was agreed that the current harmonized expense categories would be applied by the United Nations system organizations in their joint initiatives, in order to ensure that monitoring of and reporting on joint initiatives at the country level is simplified.

B. Country office business operations

1. Common services

40. The 2007 triennial comprehensive policy review encourages the United Nations system to step up its efforts to rationalize the country presence through common premises, co-location and, where appropriate, to implement the joint office model and expand common shared support services and business units, in order to reduce United Nations overhead and transaction costs for national Governments. The past decade has seen a proliferation of common services initiatives, albeit at varying levels of depth and breadth. A survey conducted in 2009 revealed that common services are implemented by all 116 of the 135 United Nations country teams surveyed, with 82 per cent having arrangements around essential services (e.g., banking, cleaning and maintenance), and two thirds having arrangements around ICT, human resources services and medical services. Forty per cent of countries claimed that cost savings are realized.

41. There is a growing need for both capacity and financial support for common services initiatives. Forty-six per cent of United Nations country teams claimed that they have been trained on common services. However, 76 per cent of countries stated that they need additional support for the implementation of common services, with over half of them pointing out strongly that they have received "inadequate support".

42. The United Nations development system has scaled up support for common services projects through renewed guidance drawing from the "Delivering as one" pilot countries and dedicated training, leading to breakthroughs in a number of quick-win areas. The High-level Committee on Management and the United Nations Development Group have prioritized making progress in a number of areas, including procurement, ICT, finance and human resources.

2. Information and communications technology

43. Sharing ICT services among the various United Nations system agencies at the country level is not a new concept. Many country offices are already sharing Internet connections, information technology resources and equipment. In a number of countries, ICT projects are under way with a view to developing common ICT infrastructure and services. In addition, the United Nations Development Group drafted generic guidance for global application on planning and developing common ICT infrastructure across agencies at the country level.

44. The roll-out of the "One United Nations" e-mail and web addresses for all Resident Coordinator offices and common United Nations websites was another achievement. As at 6 July 2009, five countries have adopted the new domain, with more countries in the process of adoption. In addition, the common directory project was developed and tested in Mozambique and Pakistan. The project is particularly important at the country level, as it offers all staff easy access to contact information of agency staff. The common directory project is now being deployed at the system-wide level by CEB. After identifying the appropriate technical solution, several agencies are now connected through this directory facility, with most agencies expected to join during 2010.

45. In spite of the various pilot solutions developed, the challenge is to scale up these solutions to other countries in a prioritized manner, for which additional resources, both financial and technical expertise within the United Nations system agencies, will be needed.

3. Common procurement

46. In cooperation with the High-level Committee on Management, the United Nations Development Group developed generic guidance on common procurement at the country level for global use. The guidance applies only to procurement commonly initiated at the country level by most of (if not all) the United Nations system agencies represented. Agencies are still free to procure specialized and strategic goods and services as per agency-specific technical specifications and standards (e.g., food procurement, cold chain supplies, contraceptives, etc.).

47. The guidance features solutions on the development of common long-term agreements, setting up common local contracts committees and steps to building a common procurement team at the country level. It offers a possibility to reduce procurement transactions by removing, for example, the need for multiple market surveys and multiple bidding processes. To operationalize the guidelines, a Plan for Harmonized United Nations Procurement at the country level for 2010 has been developed, envisaging increased headquarters support for communication, pilot testing, normative guidance and training.

4. Harmonized approach to cash transfers[5]

48. Initiated in 2007 and subsequently expanded to a larger group, the harmonized approach to cash transfers is now fully implemented in 19 countries. It is also being introduced in around 120 countries, albeit at different levels of implementation. In spite of the agreement by UNESCO, the United Nations Office for Project Services, FAO, UNIDO and the United Nations Human Settlements Programme (UN-Habitat) to use the approach where applicable to their operations in pilot countries, it still remains to be adopted more broadly by other specialized agencies and extended to countries beyond the "Delivering as one" pilot countries.

49. The initial feedback confirms that partners see the harmonized approach to cash transfers as contributing to better planning and monitoring with great potential to reduce transaction costs. Mozambique, for example, has estimated that about 20 per cent of Government and United Nations staff time has been saved with the adoption of the harmonized approach to cash transfers. However, a number of challenges, for instance, the reluctance to accept the microassessments of Government partners and the resistance on the part of some Governments to subject to audit and assurance, may account for slow progress in some countries.

---

[5] The harmonized approach to cash transfers uses macro and microassessments to determine risk, as well as assurance activities such as audits and spot checks. It also introduces a new harmonized format for implementing partners to request funds and report on how they have been used. The macroassessment is a desk review of the existing assessments of the national public financial management system that takes place once per programming cycle. The microassessment looks at the soundness of the implementing partner's financial management system.

5. Common premises

50. The 2009 Common Services and Harmonized Business Operations Survey revealed that of 116 countries that responded, 84 countries have some form of common premises in place at the country level. Sixty-two countries claimed that they were considering a change to their current premises situation.

51. Continued support has been provided by the United Nations Development Group to United Nations country teams on the establishment of common premises. Recognizing the challenge associated with the lack of financing, options for funding common premises were approved and tested at the country level. The United Nations Development Group is also working on guidance on public-private partnership to be issued in 2010 to guide common premises construction projects. In spite of the funding challenges, countries — for example, Viet Nam — are looking to the significant programmatic benefits of being in common premises, which allows for exploring alternate ways for inter-agency teams to work together with a view to achieving greater coherence, efficiency and effectiveness.

52. A growing body of evidence suggests that Green Buildings can be constructed with little or no capital cost premium and have attractive payback periods. To maximize cost efficiency, a "Greening as One: United Nation House" project is being planned with the aim of supporting Albania, Cape Verde and Viet Nam in establishing their Green One United Nations Houses, while promoting sustainable operations in United Nations and non-United Nations organizations in those countries. Subsequently, the project will support the preparatory activities for establishing a Green One United Nations House for up to 10 other programme countries with an existing United Nations House.

IV. Actions taken by the executive boards and governing bodies

53. The past year has seen increased interaction on business practices issues between United Nations system organizations, including inter-agency mechanisms with the General Assembly and the Economic and Social Council. For example, a recent report of the Secretary-General on system-wide coherence (A/64/589) outlined progress in implementing the Plan of Action. The CEB High-level Committee on Management reported to the Council on the harmonization of business practices, during the 2009 operational activities segment. This momentum was echoed at the level of executive boards and governing bodies of United Nations system organizations, leading to renewed guidance reflecting system-wide policy orientations.

A. United Nations Educational, Scientific and Cultural Organization

1. International Public Sector Accounting Standards

54. With an objective to prepare IPSAS-compliant financial statements for reporting periods commencing 1 January 2010, the UNESCO IPSAS project has now entered a key stage. Following the identification of accounting gaps and the development of policy papers, IPSAS training has been delivered. As important

steps towards implementation, the roll-out of information technology changes and associated training are well under way.

55. The experience of UNESCO shows that in order to ensure robust financial reporting processes and credible financial information, the continuing strengthening of internal controls is essential. It is also vital that progress is made in the training of staff and the improvement of necessary in-house knowledge and experience.

56. The Executive Board of UNESCO is constantly updated on progress towards IPSAS. During its 181st session, in April 2009, the secretariat proposed changes to the financial rules and regulations in the light of IPSAS. The Board took note of the proposed amendments and requested the Director-General to submit them for consideration and approval by the General Conference of UNESCO at its thirty-fifth session.

57. Having considered the progress report of the secretariat during its 182nd session, the Executive Board took note of the good progress made to date and the important changes in 2010 and beyond necessitated by the implementation of IPSAS; recognized that there remains a funding gap for 2010-2011 for the full implementation of IPSAS; invited the Director-General to identify savings from the current biennium, and authorized him to transfer such savings in support of IPSAS implementation.

2. Cost-recovery policy

58. In September 2008, the Director-General of UNESCO endorsed a new cost-recovery policy for implementation on a trial basis for two years. Since then, UNESCO has made continuous efforts to foster a better understanding of the cost-recovery policy and to improve the policy processes in accordance with internal and United Nations system-wide developments.

59. In an effort to refine the UNESCO cost-recovery policy in line with a well-defined support cost measurement methodology, a cost measurement study was launched in November 2008, with an objective to better assess the level of the indirect variable costs,[6] which in turn helps to determine the appropriate level of the programme support cost rate. UNESCO is also making administrative refinements to increase the efficiency of the cost-recovery processes and to lower the administrative costs wherever possible.

60. Having reviewed the above-mentioned progress at its 181st session, the Executive Board welcomed the Director-General's decision to introduce and implement a cost-recovery policy that recognizes the principle of true cost recovery in accordance with the triennial comprehensive policy review. The Board furthermore took note of the Director-General's ongoing efforts, and invited the Director-General to report to it, at its 182nd session, further information on the results of the High-level Committee on Management-United Nations Development Group joint study, the results of the UNESCO 2008 cost measurement study, and the status of its cost-recovery policy.

---

[6] Variable indirect costs, usually referred to as programme support costs, are incurred by the organization as a function of and in support of its activities, projects and programmes and cannot be traced unequivocally to specific activities, projects or programmes. Typical examples include service and administrative units and their related systems and operating costs.

B. Food and Agriculture Organization of the United Nations

1. Shared support services

61. The Rome-based agencies have been collaborating over the years in many ways to combine strengths and bring complementary perspectives and expertise to the challenge of achieving cost savings and efficiency gains.

62. The procurement services of the three Rome-based agencies have significantly expanded their joint efforts and areas of collaboration. Over the last two years, the agencies have increasingly issued joint tenders, resulting in a significant decrease in transaction costs arising from more competitive pricing owing to the increased economies of scale brought about by the combined needs of the three agencies. In early 2009, the three agencies developed a joint procurement platform for 2009-2010 to procure common headquarters goods, works and services jointly over the next two years. The expected savings resulting from the joint tender are in the range of 2-5 per cent additional discount over the existing contract. To align institutional support for common procurement services, the three agencies have opted for a pilot common procurement team that became operational in January 2010, thereby utilizing the best practices of all three agencies.

63. In addition, the three Rome-based agencies continue to explore and expand areas for collaboration in areas of information technology goods and services, training, finance, travel, security as well as conference and facilities-related services while working towards standardization and harmonization.

64. Progress in this regard has been regularly reported to the Joint Meeting of the FAO Programme Committee and the Finance Committee, which during its most recent session in September 2009 expressed its continued support for Rome-based agency collaboration. The Joint Meeting took note of the agreement of the three agencies on the establishment of the joint procurement unit and acknowledged the actions initiated to review and strengthen the tools necessary for quantifying efficiency savings resulting from the Rome-based agency collaboration.

2. Cost-recovery policy

65. During the period from 1 June 2008 through 31 May 2009, FAO opened 689 Trust Fund projects, with all projects charged at rates within the currently approved policy. The vast majority of projects (88 per cent by value) are charged at their ceiling/recommended rates.

66. FAO annually reports to the Finance Committee, the Joint Meeting and the Council on the implementation of its support cost policy. During its 128th session, in July 2009, the FAO Finance Committee was satisfied that the project support cost rates for the period under review were applied within the approved policy and noted the developments arising from the partnership with the Global Environment Facility (GEF).[7] The Committee endorsed in principle the enlargement of FAO support cost policy scope to include related costs categories, and requested submission at a future session details of the revised policy for its consideration, before the policy is put into effect.

[7] In view of a sharp increase of the Global Environment Facility funding, FAO received further clarification on GEF policies in connection with support services incurred in the administration of GEF-funded projects.

3. International Public Sector Accounting Standards

67. The FAO IPSAS Project continues to make good progress in its objective to achieve annual financial reports in accordance with IPSAS standards by 2012.

68. A major change to scope took place in 2009, when the IPSAS Project Board took the decision to integrate into the IPSAS Project an existing project to replace the legacy Field Accounting System. In addition to IPSAS compliance, the Project will now provide the decentralized offices with a financial system that fits current business purposes and reduces financial risks through implementing processes and systems to support the recording, accounting, control and reporting of all financial and procurement transactions at the decentralized offices level.

69. The Project monitors and evaluates risks on an ongoing basis. The major risks are the limited availability of key staff to support the Project, given the many other reform-related activities being undertaken by the Organization, the need to synchronize certain key activities with other information system projects and the infrastructure and staff capacity constraints in the decentralized offices.

70. The IPSAS Project continues to collaborate with other United Nations entities to share implementation experience and identify common solutions to common problems. This collaboration has proved most important to identify workable system solutions for the decentralized offices.

71. The Finance Committee and the Council receive regular reporting on the IPSAS Project and continue to give their strong support to the Project. The Committee supported the decision to postpone IPSAS implementation to 2012. Noting the pressure of staff resources resulting from the various ongoing initiatives within the Organization, the Committee stressed the importance of ensuring that the required staff resources are made available within the Organization to the IPSAS Project. It also underlined the importance of continued collaboration with the other United Nations system agencies, in particular the WFP.

C. World Health Organization

International Public Sector Accounting Standards

72. WHO leads nearly all other United Nations system organizations by having become partially compliant with IPSAS in 2008 and almost fully compliant by 2010. The 2008 financial statements of WHO were presented in the IPSAS format. However, difficulties remain in a few areas, notably owing to resource constraints. Nevertheless, WHO expects to be fully IPSAS-compliant in the biennium 2010-2011 as required by its Financial Regulations.

73. During its eleventh meeting, in January 2010, the Programme, Budget and Administration Committee of the Executive Board expressed support for the secretariat's efforts to implement IPSAS, and noted that they would be fully implemented during the current biennium.

D. United Nations Industrial Development Organization

1. International Public Sector Accounting Standards

74. The UNIDO General Conference in 2007 approved the adoption of IPSAS, effective 1 January 2010. In spite of the various challenges, UNIDO remains committed to the original implementation date. By end of 2009, UNIDO became ready to capture all the relevant data and information in IPSAS-compliant systems, which allows the Organization to be IPSAS-compliant and prepare its financial statements for 2010 based on the new standards. Considering the harmonization of financial regulations and rules for the United Nations system, an initial interim review of the UNIDO financial regulations has taken place, with those requiring amendments for IPSAS compliance identified.

75. During its thirteenth meeting, in December 2009, the General Conference of UNIDO took note of the proposed initial amendments to the Financial Regulations of UNIDO in light of the adoption of IPSAS by 2010, and decided to adopt the interim amendments to the Financial Regulations deemed necessary for IPSAS adoption effective 1 January 2010.

2. Change management

76. In the light of the harmonization of business practices within the United Nations system, UNIDO proposed a change management initiative with an aim to significantly transform the Organization's management processes and delivery mechanisms into a desired state of enhanced results orientation, effectiveness, efficiency and risk management. Towards that end, a study has been launched to assess in a comprehensive manner the change management initiative, including its components, such as business process re-engineering and the deployment of an enterprise resource planning system.

77. The General Conference in December 2009 took note of the feasibility study on a comprehensive change management initiative, and requested the Director-General to provide information on the various cost elements of the enterprise resource planning system. The Conference also approved the use of unutilized balances for the change management initiative, with all funds for the initiative managed through a special account. Member States were invited to contribute voluntarily to the account.

E. International Labour Organization

1. International Public Sector Accounting Standards

78. At its 297th session, in November 2006, the ILO Governing Body approved the adoption by ILO of IPSAS for the financial period beginning 1 January 2010. Since then ILO has made notable progress towards full compliance with IPSAS, including the completion of a full assessment of the requirements for IPSAS implementation, documentation of accounting policies and procedures and training of field and headquarters staff involved in financial reporting.

79. In spite of the progress, it is unlikely that all the required system and procedural changes will be fully operational in time to meet the planned IPSAS implementation date of 1 January 2010. ILO therefore intends to continue a phased

approach to the implementation of IPSAS. Based on that approach, ILO expects to be compliant with all except seven of the IPSAS standards by the end of 2010 and should be able to comply with all standards by the end of 2012. This approach would avoid the need to seek additional financial resources to ensure full IPSAS implementation by 2010.

80. At its 304th session, in March 2009, the Governing Body proposed to the International Labour Conference a draft resolution amending the Financial Regulations to incorporate various changes to financial reporting appropriate to the adoption of IPSAS. The Conference adopted the proposed changes at its ninety-eighth session in June 2009. The Governing Body, during its 306th session, in November 2009, took note of the revised implementation plan for the adoption of IPSAS.

2. Information and communications technology

81. As its Information Technology Strategy for 2007-2009 comes to a close, ILO developed a new strategy with the aim to maximize the role of information technology as a driver of change enhancing effectiveness, efficiency, and the value of the ILO's current and proposed investments in information technology systems. The strategy envisages the information technology function in ILO evolving from being highly focused on infrastructure and support services to proactively identifying opportunities for administrative integration and efficiency closely aligned to the strategic objectives of the Organization. As a result, the information technology function of ILO will be strengthened through its repositioning and through administrative streamlining so that it is better placed to fulfil its strategic role. To support a successful evolution of the information technology function into this more strategic role, a number of initiatives will be undertaken, including enhanced communication and training in the years to come.

82. The Governing Body endorsed the Information Technology Strategy 2010-2015.

F. International Fund for Agricultural Development

1. Country presence

83. The Executive Board of IFAD approved 17 country offices in 2008, with all opened and hosted on the premises of another United Nations system agency. By 2009, the IFAD Executive Board had approved 27 country offices, covering a total of 31 countries (some offices cover more than one country). These 31 countries contain 120 IFAD projects, accounting for 48 per cent of the current portfolio of IFAD in number terms, and 55 per cent in value terms. IFAD has entered into 11 host agency agreements with UNDP and 2 with WFP.

84. With an objective to consolidate its country presence, IFAD proposed a limited expansion of country presence, with only three new offices to be opened in 2010. These country offices will be small and limited to countries with at least three to four existing and prospective investment projects. In addition, country office management will be made more efficient and cost-effective, mainly by outsourcing services to UNDP and other United Nations system agencies. IFAD management will deepen its experimentation with different models of country presence, in particular the subregional offices. For the office space and other logistics, it will

rely on sister agencies of the United Nations system, such as FAO, UNDP and WFP, and other international financial institutions.

85. The Executive Board approved the limited expansion of the IFAD country presence in 2010, specifically the opening of three new country offices, in Cameroon, the Philippines and Zambia.

2. Collaboration with other Rome-based agencies

86. Reduced transactions costs and time, decreased fixed costs, and simplified processes are among the main benefits of the ongoing simplification and harmonization efforts of the three Rome-based agencies. Based on the positive experience so far, additional joint activities regarding administrative and business processes are being planned.

87. In 2009, IFAD submitted to its Executive Board a joint IFAD/FAO/WFP document on the directions that future purpose-driven operational partnerships could take at the global, regional and country levels. The document sets out a framework for immediate and medium-term collaboration at the global, regional, national and local levels, around four pillars, including operations and administrative collaboration. Further joint action is envisaged in the "Delivering as one" pilot countries.

88. The Executive Board, during its 97th session, in September 2009, reviewed the directions for collaboration among the Rome-based agencies and requested future updates on this issue.

G. Office of the United Nations High Commissioner for Refugees

89. With the aim of becoming a more responsive and accountable organization, UNHCR launched a comprehensive and large-scale reform process in February 2006. Since its inception, the reform has been guided by a set of objectives, the foremost being the need to optimize the organization's effectiveness in meeting the needs of people of concern by shifting to a results-oriented way of working, realigning structures and reducing bureaucracy.

90. A long-stated objective of the reform has been to streamline headquarters so that it provides overall direction and maximum support to the field from the smallest, most efficient platform. A list of the essential functions performed by headquarters was prepared early in the reform process to guide the headquarters review. The result of that ongoing review has been a considerable downsizing of the UNHCR office in Geneva, from a total of 888 posts as at 1 January 2006 to a planned total of 647 posts as at 31 December 2009.

91. After careful analysis and review and with the aim of achieving greater cost-efficiency, UNHCR chose to outpost its supply, personnel management and corporate finance functions to Budapest, starting in January 2008. Cost efficiencies achieved through these measures allowed the Office to enhance assistance activities for beneficiaries and also to strengthen further some of its key support services in 2009. The second phase of outposting, in particular the creation of a Global Learning Centre, will yield additional savings, owing solely to salary differences and savings in rental.

92. Against that backdrop, UNHCR launched the IPSAS project in 2008. Despite its efforts, UNHCR is not able to implement IPSAS by 1 January 2010 as originally planned, and significant areas have been deferred to 2010, with completion foreseen in 2011. UNHCR has adopted an incremental implementation approach and aims to publish IPSAS-compliant financial statements as at 31 December 2011.

93. The provision of ICT services is also being restructured, with an expectation to further enhance support for the field through a decentralized structure and the creation of a field-based ICT hub. These reforms will continue into 2010 with additional streamlining, including further decentralization, outposting and outsourcing. Other ICT strategic activities will also bring further standardization of ICT platforms and tools, the implementation of methodologies and standards, which will bring economies of scale, efficiency and increased productivity.

94. The above-mentioned reform initiatives constitute an important component of the UNHCR programme budget for the biennium 2010-2011. The Executive Committee of UNHCR requested the High Commissioner, within the resources available, to respond flexibly and efficiently to the needs currently indicated under the programme budget for the biennium 2010-2011 and called upon UNHCR to further keep its administrative expenditure under continual review with a view to reducing it as a proportion of total expenditure.

V. Conclusion

95. Following the long pursuit of a more effective and efficient United Nations system through administrative and managerial adjustments since the 1970s, there has been a tendency to rethink the linkages between change management initiatives and programmatic reforms. Reforming management practices is no longer only a means in response to the need for better programmatic results, but a driving force for reforms on the programmatic side.

96. This change of mindset has led to a reprioritization of simplification and harmonization on the agenda of the United Nations development system, evidenced by the increased attention to this issue at various intergovernmental forums. Many United Nations system organizations have taken advantage of management reforms as an opportunity to shift the way in which programmatic services are delivered. This, for instance, is particularly apparent in the area of ICT, where a number of United Nations system agencies, by consolidating and modernizing ICT structure and services, improved service delivery.

97. The gradual shift towards a bottom-up approach is another hallmark of recent efforts towards simplification and harmonization. Removing the bottlenecks that hinder coherent business operations at the country level has become a key priority of the CEB High-level Committee on Management and the United Nations Development Group.

98. A welcome development over the past year has been the increased interaction between United Nations inter-agency mechanisms and the central intergovernmental processes anchored in the General Assembly and the Economic and Social Council. There is, however, scope to further deepen this interface, bearing in mind the necessary space that should be afforded to United Nations system organizations in fulfilling their executive authority.

99. To move forward, the United Nations development system is still confronted with significant challenges, arising from, among others, the insufficiency of financial and human resources, the diversity of United Nations system organizations as well as the difficulty in achieving progress across-the-board. Many organizations fall short of progress notably in the area of IPSAS owing to the scarcity of funding and necessary capacity. The linkages between change management initiatives require progress on all fronts, which has not been the case.

VI. Recommendations

100. Secretariats of United Nations system organizations may consider providing more regular and forward-looking reporting to executive boards and governing bodies on simplification and harmonization in the United Nations system, with a view to soliciting broad forward-looking guidance from those bodies.

101. United Nations system organizations should make forward resources planning for the simplification and harmonization of business practices in order to avoid delay of implementation as a result of funding constraints.

102. United Nations system organizations under the United Nations Development Group should develop a plan for the promotion of simplification and harmonization of business practices at the country level. United Nations country teams should prepare country-level workplans with results and timelines for their achievement. Resources should be made available, where needed, for United Nations country teams to implement a comprehensive plan for the harmonization of business practices and development of common services at the country level.